

**COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIERS' OFFICE;  
FINANCE; ECONOMIC DEVELOPMENT AND TOURISM**

**SECOND (2<sup>nd</sup>) QUARTERLY PERFORMANCE REPORT FOR THE 2017/18 FINANCIAL  
YEAR – MPUMALANGA LIQUOR AUTHORITY (MLA)**

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**1. INTRODUCTION**

The **Portfolio Committee on Premiers Office; Finance; Economic Development and Tourism** (the Committee) has a Constitutional mandate, in terms of Section 114(2)(b) of the Constitution of the Republic of South Africa read with Rule 131(1)(b) of the Mpumalanga Provincial Legislature to oversee the performance of the Mpumalanga Liquor Authority (the entity) and hold it accountable through various measures.

The consideration and scrutiny of the Second (2<sup>nd</sup>) Quarterly Performance Report for 2017/2018 of the entity is the tool the Committee uses to determine whether the entity has proper plans and programmes to realise its strategic objectives and ultimately to deliver basic services to the citizens of Mpumalanga.

The Committee tables this report in accordance with the provisions of the Rules and Orders of the Mpumalanga Provincial Legislature, as an account of its oversight work done for consideration and adoption in order to monitor the performance of the entity for the 2017/2018 second quarter.

**2. METHOD OF WORK**

The Speaker referred the entity's Second (2<sup>nd</sup>) Quarterly Report to the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism for consideration and report back to the Legislature, as contemplated in Rule 218 (4) of the Rules and Orders of Mpumalanga Provincial Legislature (the Rules).

The Committee met on 08 November 2017 to deliberate on the entity's research analysis on the second quarterly report and scrutinize in detail the aforementioned document; met the entity on 14 November 2017 on the 2017/18 second (2<sup>nd</sup>) quarter report and subsequently met on 22 November 2017 to consider the draft Committee report.

### **3. OVERVIEW BY THE MEC**

The MEC of the department, Mr SE Kholwane gave an overview of the department's performance on the 2017/18 2<sup>nd</sup> Quarter Report to the Committee; and also covered the parastatals / public entities under the department, which included Mpumalanga Liquor Authority (MLA). The MEC stated that admittedly the process of reconfiguring the organisation of the department and the public entities has taken longer than anticipated. He further noted the shortfalls in the performance of the entities and has engaged the accounting officers / authorities about the importance of implementing acceleration plans for all priority programmes and targets.

Be it as it may, the MEC reported that some notable progress in many areas has been made. The department has appointed an interim Board to oversee the transition from the old MGB/MLA to the new Mpumalanga Economic Regulator (MER) amongst others. The MEC stated that more can be done and the department is committed to ensuring that all the institutions in this portfolio achieve their targets at the end of the current financial year.

In conclusion, the MEC stated that the Government is determined to ensure that the focus is on labour intensive projects that will not only stimulate employment but also economic growth in the province.

### **4. GENERAL OBSERVATIONS**

The Committee observed that the entity has managed to achieve 91% (29 of 32) of its targets for the second quarter of the 2017/18 financial year. It has spent 43% (R9 382 621.00) of its budget as at the end of the second quarter. This implies that an amount of R12 296 379.00 remains to be spent in the third and fourth quarter of 2017/18 financial year.

In terms of revenue collection the entity collected R3 220 000.00 during the second quarter, which is above the targeted amount of R2 554 000.00.

### **5. PROGRAMME ANALYSIS**

#### **PROGRAMME 1: COMPLIANCE AND ENFORCEMENT**

The Committee noted that the entity attained 2 of its 3 planned targets under Programme 1, which translates to 67% achievement for planned targets in the second quarter.

The entity conducted additional 663 inspections during the second quarter to address the shortfall of the first quarter.

The programme could not achieve the target of conducting 1 367 Licence renewal reviews. This is reportedly due to the timing of renewal reviews which are not evenly spread. The target has therefore been deferred to the next quarters.

**Programme 1: Expenditure Analysis**

Programme 1	2017/18	Expenditure Q1	Expenditure Q2	Total Expenditure	% Expenditure
Compliance & Enforcement	10 869 011	2 082 931	2 268 264	4 351 195	40,03

Programme 1 was allocated a budget of R10 869 011.00 for the 2017/18 financial year. The programme has spent R4 351 195.00 as at the end of the second quarter which translates to 40% expenditure of the annual budget.

**PROGRAMME 2: CORPORATE SERVICES**

The Committee noted that the entity attained 15 of its 16 planned targets which translates to 94% achievement of planned targets in the second quarter.

The programme failed to perform one (1) transfer of revenue to the Department of Economic Development and Tourism. The entity could not achieve the same target even in the previous quarter. This is reportedly due to processes of finalizing the external audit and the reconciliation of revenue for prior years.

i. The Committee requested the entity to indicate the measures that will be implemented to ensure that revenue transfers are done timeously to the Department of Economic Development and Tourism. In response, the entity reported that the late transfer of the revenue in question was an isolated matter occasioned by the unique external audit process, which required the submission of financial statements for three prior financial years. This therefore, necessitated a thorough reconciliation of the revenue before transferring to the department.

## Programme 2: Expenditure Analysis

Programme 2	2017/18	Expenditure Q1	Expenditure Q2	Total Expenditure	% Expenditure
Corporate Services	6 130 544	1 279 882	1 082 813	2 362 695	38,54

Programme 2 was allocated a budget of R6 130 544.00 for the 2017/18 financial year. The programme has spent R2 362 695.00 as at the end of the second quarter which translates to 39% of its budget.

## PROGRAMME 3: SOCIAL RESPONSIBILITY

The Committee noted that the entity attained six of its six planned targets under Programme 3. This translates to 100% achievement for planned targets in the second quarter.

## Programme 3: Expenditure Analysis

Programme	2017/18	Expenditure Q1	Expenditure Q2	Total Expenditure	% Expenditure
Social Responsibility	3 440 981	1 095 634	1 163 566	2 259 200	65,66

Programme 3 was allocated a budget of R3 440 981.00 for the 2017/18 financial year. The programme spent R2 259 200.00 as at the end of the quarter which translates to 66% of the budget. This indicates an over-expenditure on the budget allocated to the programme.

i. The Committee sought an explanation from the entity as to why it has over-spent on its quarterly budget allocated to the programme. According to the entity, the programme reported a total expenditure of R1 163 566.00 against a budget of R1 341 078.00, for the quarter under review. This expenditure is in accordance with the planned activities of the programme and it is within the allocated budget for the quarter under review.

## PROGRAMME 4: COMPANY SECRETARIAT AND LEGAL

The Committee noted that the entity attained 4 of its 5 planned targets, which translates to 80% achievement of planned targets in the second quarter. The programme could not achieve the target of holding one (1) committee meeting. It is reported that the meeting was cancelled and the matters were deferred to the next sitting.

#### Programme 4: Expenditure Analysis

Programme 4	2017/18	Expenditure Q1	Expenditure Q2	Total Expenditure	% Expenditure
Company Secretariat & Legal	323 330	120 264	70 377	190 641	58,96

Programme 4 was allocated a budget of R323 330.00 for the 2017/18 financial year. The programme has spent R190 641.00 as at the end of the quarter which translates to 59% expenditure of its budget.

#### PROGRAMME 5: CHIEF EXECUTIVE OFFICE

The Committee noted that the entity attained 2 of its 2 planned targets, which translates to 100% achievement of planned targets in the second quarter.

#### Programme 5: Expenditure Analysis

Programme 5	2017/18	Expenditure Q1	Expenditure Q2	Total Expenditure	% Expenditure
Chief Executive Office	476 722	108 856	110 034	218 890	45,92

Programme 5 was allocated a budget of R476 722.00 for the 2017/18 financial year. The programme has spent R218 890.00 as at the end of the second quarter which translates to 46% of its budget.

## 6. FINDINGS

**After the deliberations, the Committee made the following findings:**

- 6.1 The entity achieved 91% (29 of 32) of its targets for the second quarter of the 2017/18 financial year.
- 6.2 The entity could not achieve the target of conducting 1 367 Licence renewal reviews.

## 7. RECOMMENDATIONS

### **The Committee made the following recommendations:**

- 7.1 The entity must strictly adhere to its planned targets for the remaining quarters of the 2017/18 financial year; and maintain such performance beyond the merger process of MGB/MLA into the new Mpumalanga Economic Regulator entity.
- 7.2 The entity must ensure that the 1 367 Licence renewal reviews are conducted within the current 2017/18 financial year and submit a progress report to the Committee by 31 January 2018.


The Committee moves that the House adopts the report with the above recommendations.

## 8. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC, Mr SE Kholwane, HOD, Mr MW Mkhize, the Chairperson of the new MER entity, Mr ME Mbhele, the Acting CEO Mr B Mlambo, the CFO and the senior officials of the Mpumalanga Liquor Authority for their active involvement during the deliberations with the entity.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the second (2<sup>nd</sup>) quarter report of the Mpumalanga Liquor Authority and also thanked the Legislature staff for their support and contribution towards the production of this report.

**Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 31 January 2018 and thereafter on a quarterly basis.**



HON SI MALAZA (MPL),

**ACTING CHAIRPERSON: PORTFOLIO COMMITTEE ON PREMIER'S OFFICE;  
FINANCE; ECONOMIC DEVELOPMENT AND TOURISM**

***Appointed in terms of Rule 114 of the Rules and Orders of the Mpumalanga Provincial Legislature.***



DATE